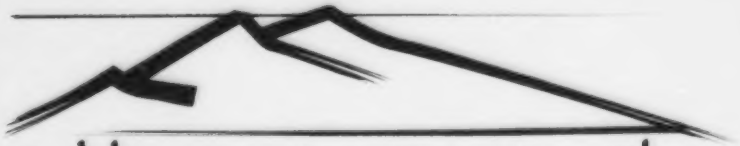

1999

Public Service Pension Plan
(Alberta)

Annual Report

Public Service Pension Plan

The Board is pleased to introduce a new logo for use in all Board communications materials. The image of mountains symbolizes strength and solidity, which means that your pension investment is well cared for.

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Pension and Investment Terms are italicized and defined in the glossary.

ISSN 1201-4192
Published by the Public Service Pension Board
Edmonton, Alberta March 2000

Our Membership

The Public Service Pension Plan serves 70 employers, 37,632 active members, 8,334 deferred members, and 15,811 pensioners.

Public Service Pension Board

Back Row (Left to right): Ian Tarr, Tim Wiles, Tom Fuller, Jim Campbell
Front Row (Left to right): Len Pederson-Chair, Virendra Gupta-Vice-Chair

Structure

The Public Service Pension Board has six members, including three employer representatives nominated by the Government of Alberta and three employee representatives nominated by the Alberta Union of Provincial Employees (AUPE). Provincial legislation requires the offices of Board Chair and Vice-Chair alternate every two years between employer and employee nominees.

Responsibilities

The Board is responsible for:

- setting the policy guidelines for the investment and management of fund assets;
- setting policy guidelines for the administration of the Plan;
- setting contribution rates to fully fund current service;
- making recommendations for amending Plan rules;
- reviewing administrative decisions; and
- arranging an actuarial valuation at least once every three years.

Members of the Board–1999

Employee Nominees

Len Pederson, Chair
Tom Fuller
Ian Tarr

Employer Nominees

Virendra Gupta, Vice-Chair
Jim Campbell
Tim Wiles

Mission Statement

The Board will act solely in the interests of Plan stakeholders to ensure that the Plan and its assets are managed effectively and efficiently in order to provide promised benefits for the Plan's beneficiaries and is operated in compliance with legislation and regulations.

Plan Profile

The Public Service Pension Plan (PSPP) was established in 1947 as a contributory defined benefit pension plan for employees of the Government of Alberta, its agencies, boards, commissions and other public bodies approved by the Lieutenant Governor in Council upon the recommendation of the Board.

• • •

The Plan is governed by a six-member Board comprised of employer and employee nominees.

• • •

The Plan serves 70 employers, 37,632 *active members*, 8,334 *deferred members*, and 15,811 *pensioners*.

• • •

The Plan is financed by active member and employer contributions and by the investment earnings of the PSPP Fund.

• • •

PSPP Fund investments are managed by the Investment Management Division (IMD) of Alberta Treasury. The Fund has a diversified investment portfolio of *bonds*, domestic and foreign *equities*, money market securities, mortgages and real estate.

• • •

The Plan is administered by Alberta Pensions Administration (APA) Corporation.

• • •

Net assets available for benefits were $4.1 billion as at December 31, 1999.

• • •

100-05900/

Our Values and Principles

Plan assets must be managed effectively and efficiently and in compliance with legislation and regulations.

•••

All decisions made by the Board must be financially prudent, ensuring that the overall financial health of the Plan is maintained.

•••

The benefits and services provided by the Plan must be fair and equitable and in the best interests of stakeholders.

•••

The Board is accountable to the Plan's stakeholders.

•••

Comments From the Board

Len Pederson, Chair

Plan Features

With the Public Service Pension Plan (PSPP) now fully funded, the Board has started to consider improvements to the Plan. The Board is taking a prudent approach in this ongoing process and will only look at changing plan provisions if the benefits can be funded on a long-term sustainable basis. This is in line with the Board's vision "to ensure that the benefits promised under the Plan are delivered in a timely and cost-effective manner."

Significant first steps in improving the Plan will be effective February 1, 2000. First, the vesting period will be reduced from five-years of pensionable service to two-years. Second, full commuted value for all service will be paid on terminations after that date. The Plan previously allowed for commuted value on post-1991 service and return of contributions with interest for pre-1992 service. These changes significantly enhance the benefits available to those members with less than five-years service and those who change careers often.

Another change was made to the Plan effective December 1, 1999 so the periods used in calculating the Year's Maximum Pensionable Earnings (YMPE) average were synchronized with the highest five years' salary calculation.

Throughout the year 2000, the Board will be commencing a full review of Plan provisions. Following consultation with stakeholders and the Government of Alberta, the implementation of future changes identified could be phased-in over the longer-term.

As well, with the Plan achieving fully-funded status, the additional contributions collected to cover the deficit for pre-1992 service were discontinued and those contributions collected in the first part of 1999 were refunded to all parties. This discontinuation of additional contributions reduced employees' and employers' contribution rates by 0.3% of salary.

Fund Performance

The PSPP Fund earned an overall return of 15.3% on investments in 1999. This compares to a return of 8.9% in 1998. On a four-year rolling average basis, the Fund's return was 13.4%. The Fund continues to achieve performance well above the 7.5% *rate of return* required to adequately fund the Plan.

The Board continues to monitor these rates of return in relation to the *policy benchmark*. The *benchmarks* are a method of monitoring the overall performance of the Fund relative to various market indices, and the Board expects its investment manager to achieve investment returns that meet or exceed the policy benchmark over the long-term. The Board is pleased the policy benchmark was exceeded by 1.6% in 1999. Using the four-year rolling rate of return, however, the Fund under-performed the benchmark by 1.1 percentage points. The Board will continue to work with Investment Management Division (IMD) of Alberta Treasury to decrease this gap on a long-term basis.

A more detailed discussion on the performance of the Fund is provided in the Investment Report on page 10.

Investment Policy

The Plan's *Statement of Investment Objectives and Policies* (investment policy) outlines the guidelines within which the Plan assets are to be invested in order to earn the best possible return based on a level of risk acceptable to the Board. The long-term finances of the Plan, as well as the ability to maintain stable contribution rates, depend upon the success in realizing the Board's investment objectives.

The Board formed an investment committee in 1999 to work toward ensuring that these objectives are met. The committee consists of two Board members and two external investment professionals, who bring a blend of experience and expertise in the investment and finance fields. In the coming year, this committee will undertake a comprehensive review of the investment policy.

Member Services

One of the key unresolved issues for Plan members was the finalization of the transfer of PSPP members affected by government restructuring to the Local Authorities Pension Plan (LAPP). At the request of both Boards, the Provincial Treasurer assisted the Boards in devising an acceptable transfer basis. The end result of this agreement was the transfer of approximately 5,300 PSPP member accounts to LAPP effective January 1, 2000. The bases for this bulk transfer are that the transfer be cost-neutral to each Plan and affected employees' pensionable service earned with PSPP be transferred without a loss of benefits and accumulated service.

Communications

In early 1999, a reader survey was sent to all participants with 1998 Member Annual Statements. The Board was pleased that over 6,000 members or nearly 20% of the Plan membership responded to this survey - a response unprecedented in the Plan's history. The Board would like to thank Plan members for taking the time to respond. Your questions and opinions will be of great value to the Board when making decisions about the Plan.

The survey results indicated Plan members would like more information in order to increase their understanding of the Plan. In late 1999, the Board approved its most comprehensive communications plan ever. The Board is committed to provide informative, high-quality communications materials on a timely basis to its stakeholders.

The Board approved the development of new communications materials, such as newsletters to both *active members* and *pensioners*. The most visible change to the communications material is the new logo, which appears on the first page of this Report. A stand-alone Web site for PSPP was approved and is expected to be operational in mid-2000.

Board Governance

The Board has updated its three-year business plan for the years 2000 - 2002. The three major goals of the Board are to:

- ensure the pension plan is properly funded;
- provide for stable contribution rates; and
- provide stakeholder satisfaction.

The following principles and values the Board has always held will be stated in the business plan:

- the Plan assets must be managed effectively and efficiently and in compliance with legislation and regulations;
- all decisions made by the Board must be financially prudent, ensuring that the overall financial health of the Plan is maintained;
- be fair and equitable and in the best interests of stakeholders; and
- the Board is accountable to the Plan's stakeholders.

The key initiatives for the next three years are to continue to strengthen the Board's role in investment management, implement the communications plan developed in 1999 and develop an approach for reviewing and implementing Plan design changes. As noted elsewhere in this report, the Board has already taken some significant steps toward achieving its goals.

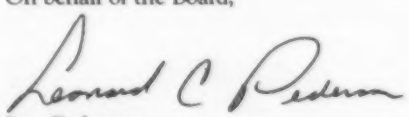
Board Membership

During 1999, the Board welcomed new Board member Tom Fuller as an employee representative. Tim Wiles and Ian Tarr were re-appointed to the Board.

The Board would like to recognize the commitment and dedication of Len Pederson and Virendra Gupta in their roles as Board Chair and Vice-Chair, respectively, during their two-year terms.

In closing, the Board would once again like to thank Plan members and employers for their ongoing support during 1999. The Board also acknowledges the continued assistance of the Provincial Treasurer, the staff of IMD and the staff of Alberta Pensions Administration (APA) Corporation.

On behalf of the Board,



Len Pederson
Chair
Public Service Pension Board

M121

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Investment Report

The Year In Review

Capital markets demonstrated a wide range of returns in 1999 as shown by the table below. Fueled by stronger worldwide economic growth, *equity* markets substantially out-performed fixed income markets. Although the US market as measured by the *Standard and Poor's* 500 (S&P 500) *Index* showed a 14.2% return for 1999, it lost its world performance leadership role as the Canadian and foreign equity markets showed more impressive results. *Emerging Markets* returned 57.2%, followed by the Pacific Basin, which returned 48.9%, and Canada, with a return of 31.7%. However, over a four-year period, the US market still shows abnormally high returns. Faced with inflationary concerns and tightening central bank policies, fixed income markets significantly under-performed the equity markets. Canadian *T-Bills* delivered a 4.7% return while Canadian *bonds* (as measured by the *Scotia Capital Markets Universe Bond Index*) had a negative 1.1% return.

For 1999, your Plan earned a combined 15.3% return on investments, while the four-year return was 13.4%. Strong 1999 performance has eliminated some of the four-year performance differential relative to the *policy benchmark*. These returns are above the Plan's 7.5% funding requirement and substantially exceed the rate of inflation. Investment results continue to contribute to an improvement in the Plan's funded status. By year-end, the Fund value had increased to $4.1 billion.

Benchmark Returns	Annual Return		4 Year
	1999	1998	Return
[illegible]	[illegible]	[illegible]	[illegible]
Scotia Capital Markets Universe Bond Index	-1.1%	9.2%	7.4%
[illegible]	[illegible]	[illegible]	[illegible]
S&P 500 (in Cdn $)	14.2%	38.0%	28.3%
[illegible]	[illegible]	[illegible]	[illegible]
Morgan Stanley World Index (in Cdn $)	18.1%	33.5%	21.4%
[illegible]	[illegible]	[illegible]	[illegible]
Morgan Stanley Emerging Markets (in Cdn $)	57.2%	-19.9%	5.5%
[illegible]	[illegible]	[illegible]	[illegible]

Fund Return	Annual Return		4 Year
	1999	1998	Return
Fund Return	15.3%	8.9%	13.4%
Policy Benchmark*	13.7%	11.4%**	14.5%
Inflation	2.5%	1.0%	1.6%

* Includes a 50 basis point value-added target on an annual basis.
** Restated

The decision by the Investment Management Division (IMD) of Alberta Treasury to over-weight Canadian equities and under-weight bonds throughout the year was a major contributor to performance during the year, as the Plan exceeded its policy benchmark by 1.6%. By year-end, equity markets had performed so well relative to the bond market that the relative equity weighting had approached the upper limits of the policy ranges. A selling program has been instituted to rebalance within the policy ranges for equities.

Cash & Short-term	0.9%	4.8%	3.0%
Long-term	38.5%	42.5%	42.0%
Canadian Equities	36.2%	27.2%	32.0%
Foreign Equities	20.8%	22.8%	20.0%
Real Estate	3.6%	2.7%	3.0%

Significant value-added was provided through *active management* in the Pacific Basin, with the regional managers doubling their *benchmarks*. Finally, strength in the Canadian dollar reversed much of the negative currency impact experienced in 1998 from the fully hedged equity *swaps* used to manage the Fund's exposure over Canada Customs and Revenue Agency's 20% foreign content limit.

The Fund's Canadian equity component performed below the benchmark. This was attributable to *external managers*. IMD's internally managed component performed well, as it exceeded the *Toronto Stock Exchange 300 (TSE 300) Index* by 150 basis points. The under-performance by external managers resulted from the narrowness of the Canadian market. Most of the market's return came from a few *large cap* companies, particularly Nortel Networks and its parent company BCE Inc. Our external managers with mandates to invest in medium to large companies were generally under-weighted in both Nortel Networks and BCE Inc. With *small cap* stocks out of favour, the external managers with these mandates also failed to reach their benchmarks.

Outlook

The current investment outlook remains constructive, although risks are evident. The US economy is heading into its tenth year of growth amid concerns regarding inflation. This has already impacted the fixed income market and will continue to impact markets in the coming year. Countering this is the expected continued growth in world economies and corporate earnings and subdued inflation. Strong government fiscal positions in most economies work to prolong the expansion. Thus, equity markets should out-perform bond markets for at least the first part of the year. The narrowness of several equity markets, especially the Canadian market is an area of concern and risk.

By year-end in Canada, Nortel Networks and BCE Inc. accounted for 27% of the TSE Index. Being over-weighted or under-weighted in these holdings had a significant impact on performance and might continue to have a similar effect in the year 2000. However, this narrowness may be an opportunity as currently under-valued stocks may rise in value in the future.

Y2K

Y2K was a non-event as disruptions in either the economy or capital markets did not materialize. Within IMD, a business-as-usual stance was taken and maintained throughout the year-end period. As a result, Plan managers were able to maintain a fully invested stance and take advantage of the strong equity market rally.

Personnel

IMD renewed its leadership in 1999. Stan Susinski retired as Chief Investment Officer and Paul Pugh has assumed that position. Mr. Pugh brings 28 years of private sector investment experience to IMD and reflects a commitment to maintain and grow a professional investment organization to meet the objectives of Alberta's public sector funds.

Fund Management

The assets of the Plan are held in trust by the Provincial Treasurer and invested solely for the benefit of the Plan's beneficiaries. The assets are invested according to the investment policies and guidelines of the PSP Board. Day-to-day management of the assets are delegated to IMD.

The investment objective for PSPP is for the assets of the Plan to earn a *rate of return* sufficient to meet or exceed the growth in the Plan's liabilities on a prudent basis. This is achieved through a diversified portfolio and includes allocations to equities for growth and to bonds to generate income and manage market volatility. The Board sets the long-run asset allocation of the Plan and the relative value-added of the Fund manager is measured against a return based on the "passive" investment of the Fund according to the long-run asset allocation.

The Plan's *Statement of Investment Objectives and Policies* will establish the degree to which IMD can change the asset allocation or product mix to add value relative to the policy benchmark. In addition, each individual product has a specific value-added target.

Asset Mix Policies

Fixed Income		
Cash & Short-term	3.0%	0 - 20%
Long-term	42.0%	30 - 50%
Total	45.0%	40 - 50%
Equity		
Canadian Equity	32.0%	25 - 50%
Foreign Equity	20.0%	15 - 24%
Real Estate	3.0%	0 - 6%
Total	55.0%	50 - 60%

IMD invests pension, endowment and other funds on behalf of the Province of Alberta and the provincial public sector. IMD has developed a range of distinct investment products and each product has defined benchmark and performance characteristics. These products can be combined to match a client Fund's specific risk profile and investment objective.

The management of an investment product may be done internally using IMD staff or externally through hiring an external investment manager. The decision to use an external manager is based on IMD's requirements to successfully implement the particular strategy. Regardless of whether the product's management is internal or external, a set of written guidelines is established for the product and the performance is reviewed regularly with respect to the guidelines and investment objectives.

Pools are used to minimize costs and nearly all of the Plan's investments are held indirectly through pools. As a result, IMD has been able to continue to maintain a relatively low cost structure. Investment costs were about 9 basis points of the Plan's total assets, which is below the industry average of 34 basis points.

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Toronto Stock Exchange 300	31.7%	-1.6%	17.6%
S&P 500 (in Cdn $)	14.2%	38.0%	28.3%
Morgan Stanley Europe (in Cdn $)	9.5%	38.0%	24.2%
Morgan Stanley World Index (in Cdn $)	18.1%	33.5%	21.4%
Morgan Stanley Pacific Basin (in Cdn $)	48.9%	10.0%	4.0%
Morgan Stanley Emerging Markets (in Cdn $)	57.2%	-19.9%	5.5%
Russell Canadian Property Index	10.7%	16.0%	13.1%

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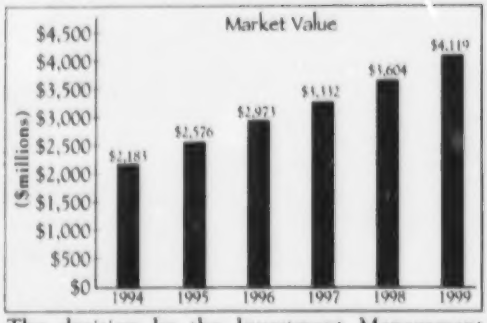

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Asset Class Commentary

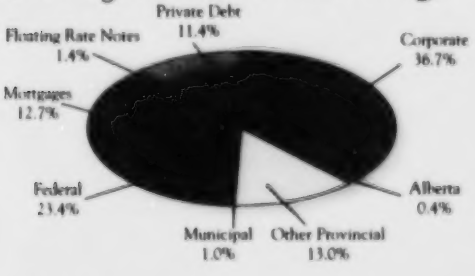
Fixed Income

Interest rates rose through the course of the year. The *Scotia Capital Markets 91-Day T-Bill Index* rate rose from 4.7% to 4.9% while the 10-year bond yield rose from 4.9% to 6.2%. When bond yields rise, the price of bonds decline and, as a result, the bond market as measured by the Scotia Capital Markets Universe Bond Index recorded a -1.1% return for the year.

The Fund's short-term component returned 5.1% for the year, 40 basis points higher than the Scotia Capital Markets 91-Day T-Bill Index. The focus is on maintaining a liquid portfolio of high-quality marketable securities. The overall term to maturity will not exceed 180 days and at least 40% of the portfolio will be government (federal and provincial) and government guaranteed securities. The out-performance can be attributed to the exposure to higher yielding bank and corporate paper.

The fixed income component is invested in a broadly diversified pool of publicly traded bonds, privately issued bonds and mortgages. In total, the Fund's fixed income return was -1.0%, slightly ahead of the benchmark Scotia Capital Markets Universe Bond Index return of -1.1%. The Fund's bond component equaled the Scotia Capital Markets Universe Bond Index benchmark return while the mortgage component returned 0.2% for the year. The positive relative performance of the mortgage component was mainly due to the shorter duration of the mortgage component relative to the Scotia Capital Markets Universe Bond Index.

Summary of Fixed Income Holdings



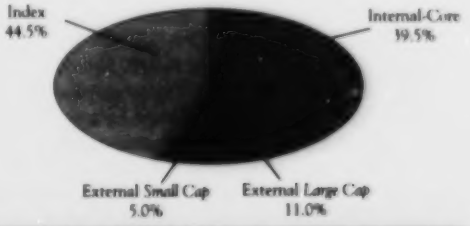
Canadian Equity

The TSE Index returned 31.7% during 1999. The performance of the TSE was strongly influenced by two issues, BCE Inc. and Nortel Networks, which accounted for 72% of the *total return* of the Index. In total the Fund's Canadian equity component returned 29.1% during 1999, 2.6% below the TSE Index return.

The Canadian equity component is based on a diversified *management structure* that includes both indexed and actively managed mandates. Two mandates are managed internally: the indexed and core products. The indexed pool, which replicates the benchmark, returned 32.1%. The core mandate, which is managed on tightly constrained basis relative to the benchmark, returned 33.2%.

Externally managed mandates under-performed the benchmark as a whole. Managers with specialized mandates to invest in small cap companies returned 8.4% in aggregate, while managers with mandates to invest in large cap companies returned 16.3%. Managers investing in small cap companies were unable, by the nature of their mandate, to invest in either BCE Inc. or Nortel Networks, which together accounted for 27% of the TSE 300 by year-end. Managers with broader mandates all held reduced weightings in both stocks as they felt valuations for both companies had exceeded a reasonable basis on which to invest. Further, reflecting the market weight of the two stocks in their portfolios would also result in excessive concentration that would be counter to the objective of holding a diversified portfolio.

Management Structure in Canadian Equities



Nortel Networks Corp.	9.5%
BCE Inc.	8.2%
Toronto Dominion Bank	2.6%
Royal Bank of Canada	1.8%
Bank of Montreal	1.8%
Seagram Co. Ltd.	1.7%
Bank of Nova Scotia	1.7%
Bombardier Inc.	1.4%
Alcan Aluminum Ltd.	1.3%
Celestica Inc.	1.2%

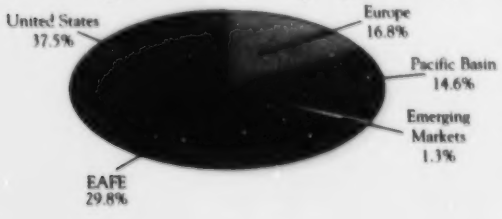
Foreign Equity

The foreign equity markets performed well in 1999. Overall, the Fund returned 30.4% versus a benchmark return of 18.1% for the *Morgan Stanley World Index*. The Fund's strong relative performance was attributable to several factors.

1. Pacific Basin managers were able to out-perform their benchmark by a substantial margin. Much of the out-performance came from stock picking in Japan directed at benefiting from the structural changes occurring in the Japanese economy.
2. An over-weight position was taken in the Pacific Basin, which was the strongest performing market during 1999.
3. The Canadian dollar continued to strengthen. A significant portion of the Fund's foreign equity exposure is in the form of equity swaps. Income on Canadian short-term instruments is swapped for the return of a foreign equity index in local currency. This allows the Fund to maintain a foreign equity exposure greater than Canada Customs and Revenue Agency's 20% foreign content limit. Given that transactions are conducted in Canadian dollars, the equity swaps will out-perform relative to an unhedged benchmark if the Canadian dollar increases in value.
4. Improved relative performance was experienced in the US component. In the past, the US component had significantly under-performed its benchmark – the S&P 500 Index. Over the last four years, investment managers in general have had a difficult time out-performing this Index. In 1998, it was decided to wind-up the internally managed US pool and replace it with an index pool, which would match the return of the S&P 500 Index. As a result, the variance from this index has been substantially reduced.

The foreign equity exposure is broadly diversified across all markets. Relative to the policy benchmark, which is equally weighted between the US and international equities, the Fund has a slight under-weight in the US, off-set by an over-weight in international equities, particularly in the Pacific Basin.

Summary of Foreign Equity Holdings

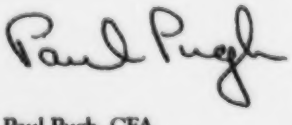


Top 10 U.S. Equity Fund Holdings	
Company	% Fund Holdings
Microsoft Corp.	4.4%
General Electric Co.	3.7%
Cisco Systems Inc.	3.6%
Citigroup Inc.	2.8%
MCI Worldcom Inc.	2.2%
EMC Corp.	2.2%
Exxon Mobil Corp.	2.1%
Intel Corp.	2.0%
Lucent Technologies	2.0%
Motorola Inc.	1.8%

Top 10 International Equity Fund Holdings	
% Fund Holdings	Company
Nippon Tel+Tel CP	2.0%
Nokia AB OY	1.9%
Total Fina	1.8%
Fujitsu	1.5%
Sony Corp.	1.4%
Deutsche Telekom	1.4%
BP Amoco	1.4%
Mannesmann AG	1.2%
Softbank Corp.	1.2%
NTT Mobile Communications	1.2%

Real Estate

Returns in real estate were more modest in 1999. The *Russell Canadian Property Index* returned 10.7% for the year while the Fund's real estate return was 7.4%. The difference is attributable to the calculation of "return". The benchmark is calculated on a gross basis and excludes expenses such as capital expenditures and transaction costs. The Fund return is calculated on a net basis fully reflecting all costs and expenses. If the Fund return was calculated on the same basis, the return for the Fund would have been 10.9%.



Paul Pugh, CFA

Chief Investment Officer

Investment Management Division, Alberta Treasury

Asset Class Commentary

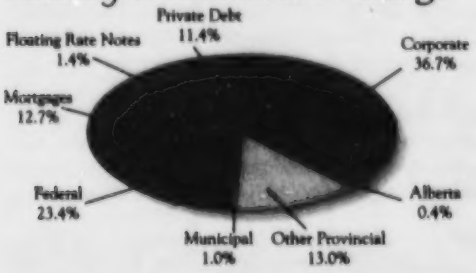
Fixed Income

Interest rates rose through the course of the year. The *Scotia Capital Markets 91-Day T-Bill Index* rate rose from 4.7% to 4.9% while the 10-year bond yield rose from 4.9% to 6.2%. When bond yields rise, the price of bonds decline and, as a result, the bond market as measured by the Scotia Capital Markets Universe Bond Index recorded a -1.1% return for the year.

The Fund's short-term component returned 5.1% for the year, 40 basis points higher than the Scotia Capital Markets 91-Day T-Bill Index. The focus is on maintaining a liquid portfolio of high-quality marketable securities. The overall term to maturity will not exceed 180 days and at least 40% of the portfolio will be government (federal and provincial) and government guaranteed securities. The out-performance can be attributed to the exposure to higher yielding bank and corporate paper.

The fixed income component is invested in a broadly diversified pool of publicly traded bonds, privately issued bonds and mortgages. In total, the Fund's fixed income return was -1.0%, slightly ahead of the benchmark Scotia Capital Markets Universe Bond Index return of -1.1%. The Fund's bond component equaled the Scotia Capital Markets Universe Bond Index benchmark return while the mortgage component returned 0.2% for the year. The positive relative performance of the mortgage component was mainly due to the shorter duration of the mortgage component relative to the Scotia Capital Markets Universe Bond Index.

Summary of Fixed Income Holdings



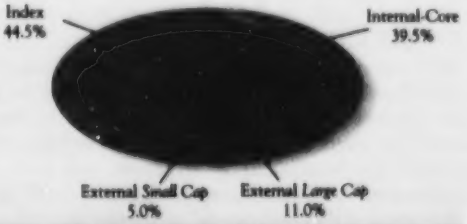
Canadian Equity

The TSE Index returned 31.7% during 1999. The performance of the TSE was strongly influenced by two issues, BCE Inc. and Nortel Networks, which accounted for 72% of the total return of the Index. In total the Fund's Canadian equity component returned 29.1% during 1999, 2.6% below the TSE Index return.

The Canadian equity component is based on a diversified *management structure* that includes both indexed and actively managed mandates. Two mandates are managed internally: the indexed and core products. The indexed pool, which replicates the benchmark, returned 32.1%. The core mandate, which is managed on tightly constrained basis relative to the benchmark, returned 33.2%.

Externally managed mandates under-performed the benchmark as a whole. Managers with specialized mandates to invest in small cap companies returned 8.4% in aggregate, while managers with mandates to invest in large cap companies returned 16.3%. Managers investing in small cap companies were unable, by the nature of their mandate, to invest in either BCE Inc. or Nortel Networks, which together accounted for 27% of the TSE 300 by year-end. Managers with broader mandates all held reduced weightings in both stocks as they felt valuations for both companies had exceeded a reasonable basis on which to invest. Further, reflecting the market weight of the two stocks in their portfolios would also result in excessive concentration that would be counter to the objective of holding a diversified portfolio.

Management Structure in Canadian Equities



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Summary of Foreign Equity Holdings

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General Electric Co.	3.7%
Cisco Systems Inc.	3.6%
Citigroup Inc.	2.8%
MCI Worldcom Inc.	2.2%
EMC Corp.	2.2%
Exxon Mobil Corp.	2.1%
Intel Corp.	2.0%
Lucent Technologies	2.0%
Motorola Inc.	1.8%

Nippon Tel+Tel CP	2.0%
Nokia AB OY	1.9%
Total Fina	1.8%
Fujitsu	1.5%
Sony Corp.	1.4%
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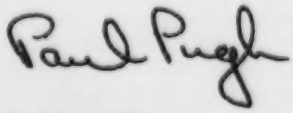


Paul Pugh, CFA
Chief Investment Officer
Investment Management Division, Alberta Treasury

Administration Report

Alberta Pensions Administration (APA) Corporation administers the Public Service Pension Plan (PSPP) by:

- collecting contributions;
- keeping accurate and secure records;
- paying benefits to *pensioners* and members who are leaving the Plan;
- providing plan information to members and employers; and
- supporting the activities of the pension board.

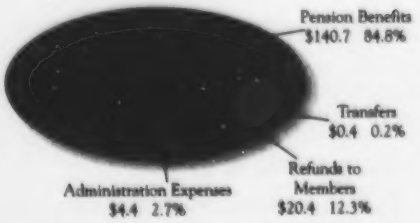
APA is one of the largest public sector pension plan administrators in Canada, administering eight statutory pension plans for five pension boards and the Government of Alberta. It is a provincial corporation guided by a board of directors, with representatives from the private sector, pension boards and the Government of Alberta. In total, APA's services are used by approximately 125,000 *active members*, 500 employers, and 49,000 pensioners.

Pension Contributions

Contributions made to PSPP in 1999 totalled $127 million. This comprised $63.9 million from active members, $62.7 million from employers and $0.4 million from the transfer of funds from other plans. The following pie chart shows the proportionate contributions made to the Plan. The total does not include revenue from Fund investments.

Pension Payments

Payments from the Plan in 1999 totalled $165.9 million. The following pie chart shows the breakdown of payments as follows: pension benefits $140.7 million; refunds to members $20.4 million; administration expenses $4.4 million; and the transfer of funds to other plans $0.4 million.



PSPP Administration Expenses

PSPP's administration expenses included general administration costs, investment costs and actuarial fees, totalling approximately $72 per member (1998: $67 per member). The $5 per member cost increase in 1999 is attributed to the following factors: APEX Project costs $16, offset by decreases in operating costs of $9 and in IMD costs of $2.

Contribution Rates

Contribution rates are divided equally between employers and members

	1998 %
Current Service (post-1991)	
Employer and Member	
Up to YMPE	9.35
Above YMPE	13.10
Unfunded Liability (pre-1992)	
Employer and Member	0.60
Government of Alberta	1.00
Total	
Up to YMPE	**10.95**
Above YMPE	**14.70**

Statistical Information

The following tables provide statistical information on plan participation and retirement levels for 1999. Statistics from 1998 are shown for comparison.

Participation	1998
Active Members	35,953
Deferred Members	9,323
Pensioners	15,321
Total	60,597

New Pensioners	19[illegible]	1998
Retirements	1[illegible]	109
Early Retirements	5[illegible]	521
Disability Retirements		16
Death Benefits to Spouses	1	22
Total	6[illegible]	668

New Pensioner Retirement Choices

as at December 31, 1999

	19[illegible]	1998
Normal	[illegible]	45
Single Life	[illegible]	68
Joint Life	4[illegible]	405
Guaranteed Terms	1[illegible]	150
Total	6[illegible]	668

Monthly Payment Distributions

as at December 31, 1999

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	11,014	863	1,87[illegible]
1,000 to 1,999	3,107	138	3,24[illegible]
2,000 to 2,999	612	7	61[illegible]
3,000 to 3,999	55	1	5[illegible]
4,000 and over	13	1	1[illegible]
Total	14,801	1,010	15,811

Business Transformation - APEX Project

In 1998, a contractor was selected to develop a new integrated pension administration software package to replace APA's current pension administration system, with work commencing in 1998.

In 1999, APA determined the contractor was not meeting performance targets for a new pension administration system to be tailored for the APEX (Alberta Pensions Excellence) project. The vendor chose to discontinue involvement in the project.

As a result, the APEX project was put on hold in January, 2000. Full details of the matter were communicated to all pension plan board members, the Provincial Treasurer and other stakeholders.

APA's current pension administration system, while requiring replacement in the near term, remains functional. An evaluation of other options for a pension administration system is to be completed by mid-April, 2000 for consideration by the APA Corporate Board and stakeholders.

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In June, APA representatives received valuable face-to-face feedback regarding employer reporting and system requirements as a result of three all-day meetings of an Employer Task Force. In response to the feedback, APA provided a detailed report to Task Force participants of recommendations and outstanding tasks, established a Forms Team and Specifications Team to respond to Task Force recommendations.

Organizational Transformation

During the year APA continued its transition from a procedure-driven unit to a customer-focused independent corporation.

Negotiations with the Alberta Union of Public Employees (AUPE) were successfully completed, enabling the transfer of bargaining unit employees from Alberta Treasury to APA in February. They joined management, opted-out and excluded employees who transferred in 1998.

The APA Recognition Program introduced in mid-1999 formally acknowledges extraordinary efforts by employees and encourages a corporate culture of recognition.

Year 2000 Issue

APA was well-prepared and had sound contingency plans in place for potential problems associated with the Year 2000 computer issue. As a result, no APA customers were impacted and operations continued normally. A continuing benefit from these efforts is the expansion of risk management procedures and documentation for future business recovery scenarios.

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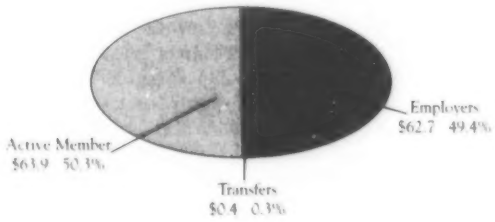

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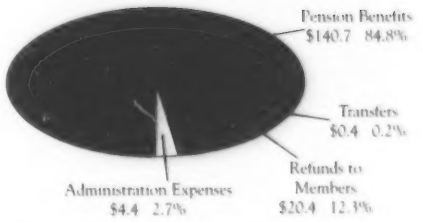

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The following tables provide statistical information on plan participation and retirement levels for 1999. Statistics from 1998 are shown for comparison.

Participation	1999	1998
Active Members	37,632	35,953
Deferred Members	8,334	9,323
Pensioners	15,811	15,321
Total	**61,777**	60,597

New Pensioners	1999	1998
Retirements	132	109
Early Retirements	534	521
Disability Retirements	7	16
Death Benefits to Spouses	12	22
Total	685	668

New Pensioner Retirement Choices

as at December 31, 1999

	1999	1998
Normal	41	45
Single Life	77	68
Joint Life	428	405
Guaranteed Terms	139	150
Total	685	668

Monthly Payment Distributions

as at December 31, 1999

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	11,014	863	11,877
1,000 to 1,999	3,107	138	3,245
2,000 to 2,999	612	7	619
3,000 to 3,999	55	1	56
4,000 and over	13	1	14
Total	14,801	1,010	15,811

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Performance Measurements

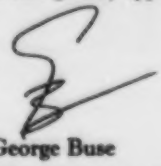
Each year APA participates in a nation-wide survey of public sector pension administrators known as the Quantitative Service Measurement (QSM). The survey, administered by Corden Consultants, compares APA's cost and service delivery times with those of other large pension administrators. The 1999 results showed APA continues to be one of the most cost-effective pension plan administrators of similar size. Service standards also compare favourably with other QSM participants.

In addition, APA annually surveys employers to determine their level of satisfaction with APA services. The customer survey conducted in early 1999 received responses from about half of the employers. Of those reporting, more than 95% were "somewhat satisfied", "satisfied" or "very satisfied" with services provided.

APA reviews its performance by measuring achievements against pre-determined standards for major activities. Those activities which do not match established standards are reviewed and actions are taken in order to meet objectives.

Acknowledgements

APA wishes to acknowledge the PSP Board and the Provincial Treasurer for their support throughout the year. We also thank employers for their cooperation and for meeting timelines for year-end reporting of employee data. Employers' participation in the Employer Task Force and with APA's Recognition Program by nominating employees who provide excellent customer service is also greatly appreciated.



George Buse

Chief Operating Officer

Alberta Pensions Administration Corporation

Management's Responsibility for Financial Reporting

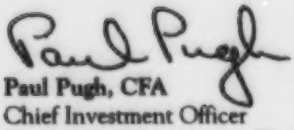
The financial statements and information in the 1999 Annual Report are the responsibility of the Provincial Treasurer. These responsibilities are undertaken on behalf of the Provincial Treasurer by the Investment Management Division (IMD) of Alberta Treasury and Alberta Pensions Administration (APA) Corporation. The financial statements and information in the annual report have been approved by the Board.

The financial statements have been prepared in conformity with generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgements. Financial information presented in the 1999 Annual Report that relates to the operations and financial position of the Public Service Pension Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, both IMD, acting in the capacity of investment manager, and APA, acting in the capacity of pension administrator, maintain a system of internal accounting controls comprising written policies, standards and procedures, and a formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments and financial statements. His examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements prepared by management.



Paul Pugh, CFA
Chief Investment Officer
Investment Management Division, Alberta Treasury

George Buse
Chief Operating Officer
Alberta Pensions Administration Corporation

Auditor's Report

To the Public Service Pension Board

I have audited the statement of net assets available for benefits and liability for accrued benefits of the Public Service Pension Plan as at December 31, 1999 and the statements of changes in net assets available for benefits, changes in liability for accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

Edmonton, Alberta
March 9, 2000

FCA
Auditor General

Financial Statements

The Public Service Pension Plan is financed by active member and employer contributions and by the investment earnings of the PSPP Fund.

Statement of Net Assets Available for Benefits and Liability for Accrued Benefits

As at December 31, 1999
($ thousands)

	1999	1998
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 4,118,948	$ 3,603,705
Accounts receivable (Note 6)	8,264	12,382
	4,127,212	3,616,087
Liabilities		
Accounts payable	1,592	1,642
Net assets available for benefits	4,125,620	3,614,445
Asset fluctuation reserve [Note 2 (c)]	(202,600)	(87,000)
Actuarial value of net assets available for benefits	3,923,020	3,527,445
Liability for Accrued Benefits		
Liability for accrued benefits (Note 7)	3,406,000	3,121,000
Actuarial surplus	$ 517,020	$ 406,445

See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For year ended December 31, 1999
($ thousands)

	1999	1998
Increase in assets		
Investment income (Note 8)	$ 550,010	$ 297,352
Contributions		
Current and past service:		
Employers	62,750	60 ,886
Employees	63,917	62,323
Pre-1992 unfunded liability		
Employers	-	3,645
Employees	-	3,645
Province of Alberta	-	12,150
Transfers from other plans	374	154
	127,041	142,803
Total increase in assets	677,051	440,155
Decrease in assets		
Pension benefits	140,624	137,127
Refunds to members	20,282	24,795
Transfers to other plans	438	594
Interest on refunds of additional contributions	125	-
Administration expenses (Note 9)	4,407	4,003
Total decrease in assets	165,876	166,519
Increase in net assets for the year	511,175	273,636
Net assets available for benefits at beginning of year	3,614,445	3,340,809
Net assets available for benefits at end of year	**$4,125,620**	**$3,614,445**

See accompanying notes and schedules.

Statement of Changes in Liability for Accrued Benefits

For the year ended December 31, 1999
($ thousands)

	1999	1998
Increase in liability for accrued benefits		
Interest accrued on benefits	$ $233,000	$ 225,000
Benefits earned	120,000	103,000
Plan improvements [Note 11(b)]	71,000	-
Group transfer [Note 11(a)]	22,000	-
Experience losses	-	43,000
Increase in liability for accrued benefits	446,000	371,000
Decrease in liability for accrued benefits		
Benefits paid	161,000	163,000
Changes in actuarial assumptions	-	66,000
Decrease in liability for accrued benefits	161,000	229,000
Net increase in liability for accrued benefits	285,000	142,000
Liability for accrued benefits at beginning of year	3,121,000	2,979,000
Liability for accrued benefits at end of year (Note 7)	**$ 3,406,000**	**$ 3,121,000**

See accompanying notes and schedules.

Statement of Changes in Actuarial Surplus

For the year ended December 31, 1999
($ thousands)

	1999	1998
Actuarial surplus at beginning of year	$ 406,445	$ 170,809
Increase in net assets available for benefits	511,175	273,636
Net decrease (increase) in asset fluctuation reserve	(115,600)	104,000
Net increase in liability for accrued benefits	(285,000)	(142,000)
Actuarial surplus at end of year	$ 517,020	$ 406,445

See accompanying notes and schedules.

Notes to the Financial Statements

Note 1

Summary Description of the Plan

The following description of the Public Service Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 368/93, as amended. Effective February 1, 2000 the Plan was further amended to improve benefits for those members who leave the Plan before qualifying for retirement [see Note 11(b)].

(a) General

The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies, including universities and local boards of health units established under the Public Health Act and the Special Areas Board.

(b) Funding

Current service costs are funded equally by employers and employees at rates which are expected to provide for all benefits payable under the Plan. The rates in effect are 4.675% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 6.55% for the excess. The rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides for a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the plan is 35 years. Pensions are payable to members who retire with at least five years of service and either have attained age 65 or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members age 55 retiring early with a minimum of five years of service.

(d) Termination Benefits

Members who terminate with at least five years of service and are not immediately entitled to a pension may receive a refund of their contributions and interest on service prior to 1992 and commuted value for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of their contributions and interest.

(e) Disability Benefits

Unreduced pensions are payable to members who become totally disabled and have at least five years of service. Reduced pensions are payable to members who become partially disabled and have at least five years of service.

(f) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than five years, a lump sum payment must be chosen.

(g) Prior Service and Transfers

All prior service purchases are to be made on a basis that is cost-neutral to the Plan.

All reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* and the Plan is not subject to income taxes. The Plan's registration number is 0208769.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not reflect the funding requirements of the Plan.

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The majority of Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	1999	1998
Canadian Dollar Public Bond Pool	17.0	16.1
Canadian Pooled Equities Fund	22.3	21.6
Domestic Passive Equity Pooled Fund	26.3	21.6
External Managers Fund	13.3	16.9
EAFE Structured Equity Pooled Fund	15.2	-
Floating Rate Note Pool	0.9	-
Private Mortgage Pool	19.5	18.9
Private Real Estate Pool	11.8	17.6
US Passive Equity Pooled Fund	14.7	16.1
US Structured Equity Pooled Fund	15.2	-
United States Pooled Equities Fund	17.0	17.0
Global Structured Equity Pooled Fund	-	16.4
Private Bond Pool	-	19.0

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility in the Plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assessed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

The majority of Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	1999	1998
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External Managers Fund	13.3	16.9
EAFE Structured Equity Pooled Fund	15.2	-
Floating Rate Note Pool	0.9	-
Private Mortgage Pool	19.5	18.9
Private Real Estate Pool	11.8	17.6
US Passive Equity Pooled Fund	14.7	16.1
US Structured Equity Pooled Fund	15.2	-
United States Pooled Equities Fund	17.0	17.0
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Note 3

Investments (Schedules A to D)

Investments are summarized as follows:

	1999		1998	
	($ thousands)	%	($ thousand)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 39,026	0.9	$ 173,556	4.8
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	1,366,964	33.2	1,332,104	37.0
Private Mortgage Pool (b)	197,967	4.8	175,259	4.9
Floating Rate Note Pool (c)	22,034	0.5	-	-
Real Rate of Return Bond	-	-	22,753	0.6
Private Bond Pool	-	-	307	-
Total deposits and fixed income securities	1,625,991	39.4	1,703,979	47.3
Canadian Equities				
Canadian Pooled Equities Fund (Schedule B)	589,460	14.3	380,307	10.6
Domestic Passive Equity Pooled Fund (Schedule C)	664,690	16.1	410,354	11.3
External Managers Fund (Canadian) (Schedule D)	239,480	5.8	191,288	5.3
Public, direct	-	-	73	-
	1,493,630	36.2	982,022	27.2
Foreign Equities				
External Managers Fund (Global) (Schedule D)	382,407	9.3	400,542	11.1
External Managers Fund (United States) (Schedule D)	167,609	4.1	96,638	2.7
EAFE Structured Equity Pooled Fund (d)	150,217	3.7	-	-
US Passive Equity Pooled Fund (e)	103,671	2.5	97,957	2.7
US Structured Equity Pooled Fund (f)	47,432	1.2	-	-
United States Pooled Equities Fund	1,118	-	2,727	0.1
Global Structured Equity Pooled Fund	-	-	221,718	6.2
	852,454	20.8	819,582	22.8
Equities in Real Estate				
Private Real Estate Pool (g)	146,873	3.6	98,122	2.7
Total equities	2,492,957	60.6	1,899,726	52.7
Total investments	$4,118,948	100.0	$ 3,603,705	100.0

Note 3
Investments (Schedules A to D) (continued)

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans (97.4%) and provincial bond residuals (2.6%). In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at December 31, 1999, mortgages held by the pool have an average effective yield of 7.95% per annum based on market (1998: 6.92%). Approximately 65% of the mortgages held will mature within ten years (1998: 90%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(e) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S&P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S&P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(f) The US Structured Equity Pooled Fund is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

(g) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, property type and tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

Note 4

Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Note 4 Investment Risk Management (continued)

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the board has established a policy asset mix of 40% to 50% fixed income instruments and 50% to 60% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5

Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the Plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds at December 31, 1999.

Exhibit (Note 5)

	1999	1998
	($ thousands)	
Index swaps		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ 149,735	$ -
US Passive Equity Pooled Fund	104,655	97,989
US Structured Equity Pooled Fund	47,189	-
Global Structured Equity Pooled Fund	-	206,913
Canadian equities		
Domestic Passive Equity Pooled Fund	274,636	166,596
Direct	-	73,745
Bonds - Canadian Dollar Public Bond Pool	232,558	243,839
Interest Rate Swaps		
Fixed to floating rates		
Canadian Dollar Public Bond Pool	204,864	163,408
Domestic Passive Equity Pooled Fund	165,005	113,671
EAFE Structured Equity Pooled Fund	90,007	-
US Structured Equity Pooled Fund	32,632	-
US Passive Equity Pooled Fund	18,273	9,121
Floating Rate Note Pool	16,431	-
Global Structured Equity Pooled Fund	-	138,332
	$ 1,335,985	$1,213,614

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts (continued)

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds. Credit exposure relating to swaps is minimal as management deals only with counter-parties rated not less than AA.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the Plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $40,624,000 (1998: $77,388,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the Plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $902,000 (1998: $Nil).

Note 6
Accounts Receivable

	1999	1998
	($ thousands)	
Contributions Receivable		
Employers	$ 4,097	$ 4,770
Employees	4,167	4,719
Province of Alberta	-	1,388
Accrued investment income	-	1,505
	$ 8,264	$ 12,382

Note 7
Liability for Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1998 by Buck Consultants Limited and was then extrapolated to December 31, 1999, taking into account significant changes to the Plan since December 31, 1998 (see Note 11). The December 31, 1998 valuation resulted in an actuarial surplus of $406 million as disclosed in the Statement of Net Assets Available for Benefits and Liability for Accrued Benefits.

The valuation as at December 31, 1998 was determined using the projected benefit method, based on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Public Service Pension Board.

The major assumptions used were:

	December 31	
	1999 Extrapolation %	1998 Valuation %
Investment return	7.5	7.5
Inflation rate (after phasing-in period)	3.25	3.25
Salary escalation rate	3.75	3.75
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

As at December 31, 1999, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in an increase in the liability for accrued benefits by approximately $167 million.

As at December 31, 1999, holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in an increase in the liability for accrued benefits by approximately $154 million.

As at December 31, 1999, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed real long-term investment return would result in an increase in the liability for accrued benefits by approximately $511 million.

Note 8

Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,510	$ -	$ 3,510	$ 4,452
Canadian Dollar Public Bond Pool	65,414	(80,963)	(15,549)	104,120
Private Mortgage Pool	14,227	(13,880)	347	16,038
Floating Rate Note Pool	343	(294)	49	-
Real Rate of Return Bonds	120	(236)	(116)	4,516
Short-term Securities	22	-	22	47
Private Bond Pool	-	12	12	7,540
	83,636	(95,361)	(11,725)	136,713
Equities:				
Canadian Pooled Equities Fund	7,706	137,508	145,214	(6,467)
Domestic Passive Equity Pooled Fund	75,527	84,031	159,558	(3,159)
External Managers Fund (Canadian)	2,612	26,920	29,532	(9,046)
Domestic Structured Equity Pooled Fund	6,365	(437)	5,928	-
Structured Note and miscellaneous	(37)	(66)	(103)	(342)
External Managers Fund (Global)	5,481	108,655	114,136	85,177
External Managers Fund (United States)	858	24,167	25,025	28,333
EAFE Structured Equity Pooled Fund	27,517	(296)	27,221	-
US Passive Equity Pooled Fund	18,018	(5,529)	12,489	21,617
US Structured Equity Pooled Fund	3,449	211	3,660	-
United States Pooled Equities Fund	3	(1,401)	(1,398)	(4,290)
Global Structured Equity Pooled Fund	30,786	(5)	30,781	37,706
Private Real Estate Pool	7,447	2,245	9,692	11,110
	185,732	376,003	561,735	160,639
	$ 269,368	$280,642	$550,010	$297,352

(a) Income is comprised of dividends, interest and rental income net of pooled funds management and associated custodial fees.

Note 9

Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 3,719	$ 3,214
Board costs	122	68
Investment management costs	426	557
Actuarial fees	106	135
Other professional fees	34	29
	$4,407	$4,003

General administration costs and board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

In 1999, total administration expenses of $4,407,000 amounted to $72 per member (1998: $67 per member).

Note 10

Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the Plan, including those related to stakeholders, suppliers, or other third parties, have been fully resolved.

Note 11

Subsequent Events

(a) Arrangement to Transfer to the Local Authorities Pension Plan

In December 1999, the Lieutenant Governor in Council approved the transfer of certain active members from the Public Service Pension Plan (PSPP) to the Local Authorities Pension Plan (LAPP) and from the LAPP to the PSPP effective January 1, 2000. Accordingly the Plans' actuaries determined that assets totaling $229,000,000 were required to be transferred from the PSPP to LAPP as a result. The amount was calculated in accordance with provisions of the *Public Sector Pension Plans Act*, Alberta Regulation 365/93, as amended, and actuarial assumptions approved by the respective boards for the actuarial valuations of both Plans as at December 31, 1998.

The amount plus an adjustment for the average market returns of the Plans from December 31, 1998 to the date of transfer, contributions made by or in respect of the transferred members during 1999 and interest on the contributions will be transferred from the PSPP to the LAPP in 2000. The excess of assets to be transferred over actuarial liability to be released, amounting to $22,000,000, has been included in the Plan's liability for accrued benefits as at December 31, 1999.

(b) Plan Improvements

The Plan was amended, effective February 1, 2000, to improve benefits for those members who leave the Plan before qualifying for retirement. The amendment decreases the vesting period to two years of service from five years, provides termination benefit payments of full commuted value on all service and applies the minimum 50% employer cost rule to all service. Liability of the Plan for accrued benefits as at December 31, 1999 has been re-determined by the Plan's actuary to include the present value of plan amendment benefits.

Note 12

Responsibility for Financial Statements

These financial statements were approved by the Public Service Pension Board.

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Schedule A
Schedule of Investments in Canadian Dollar Public Bond Pool (a) (b)

December 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 9,678	$ 56,800	$ 7,559	$ 46,902
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	366,148	2,148,862	430,935	2,673,774
Provincial:				
Alberta, direct and guaranteed	6,084	35,707	31,549	195,750
Other, direct and guaranteed	203,045	1,191,633	186,571	1,157,596
Municipal	15,259	89,549	10,358	64,266
Corporate	574,042	3,368,956	469,244	2,911,470
Private Fixed Income Securities				
Corporate	178,408	1,047,046	183,343	1,137,571
Total deposit and fixed income securities	1,352,664	7,938,553	1,319,559	8,187,329
Receivable from sale of investments and accrued investment income	16,893	99,143	17,918	111,173
Liabilities for investment purchases	(2,593)	(15,218)	(5,373)	(33,341)
	14,300	83,925	12,545	77,832
	$1,366,964	**$8,022,478**	**$1,332,104**	**$8,265,161**

	1999	1998
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	100

Schedule B
Schedule of Investments in Canadian Pooled Equities Fund (a)

December 31, 1999

($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,239	$ 5,550	$ 1,579	$ 7,321
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	47,798	214,030	13,834	64,115
Conglomerates	27,995	125,354	18,154	84,138
Consumer products	18,864	84,470	26,326	122,014
Financial services	78,146	349,923	88,303	409,265
Gold and precious minerals	20,043	89,748	17,433	80,800
Industrial products	180,118	806,528	69,550	322,345
Merchandising	9,817	43,958	8,456	39,192
Metals and minerals	22,601	101,204	15,348	71,135
Oil and gas	52,781	236,341	31,959	148,122
Paper and forest products	11,614	52,005	8,250	38,238
Pipelines	7,858	35,188	10,781	49,968
Real estate and construction	15,578	69,754	8,957	41,512
Transportation and environmental services	10,640	47,643	13,377	61,998
Utilities	80,588	360,855	44,755	207,427
Passive index	3,581	16,036	1,869	8,663
	588,022	2,633,037	377,352	1,748,932
Receivable from sale of investments and accrued investment income	2,030	9,090	5,186	24,034
Liabilities for investment purchases	(1,831)	(8,202)	(3,810)	(17,657)
	199	888	1,376	6,377
	$589,460	**$2,639,475**	**$380,307**	**$1,762,630**

Schedule A
Schedule of Investments in Canadian Dollar Public Bond Pool (a) (b)

December 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 9,678	$ 56,800	$ 7,559	$ 46,902
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	366,148	2,148,862	430,935	2,673,774
Provincial:				
Alberta, direct and guaranteed	6,084	35,707	31,549	195,750
Other, direct and guaranteed	203,045	1,191,633	186,571	1,157,596
Municipal	15,259	89,549	10,358	64,266
Corporate	574,042	3,368,956	469,244	2,911,470
Private Fixed Income Securities				
Corporate	178,408	1,047,046	183,343	1,137,571
Total deposit and fixed income securities	1,352,664	7,938,553	1,319,559	8,187,329
Receivable from sale of investments and accrued investment income	16,893	99,143	17,918	111,173
Liabilities for investment purchases	(2,593)	(15,218)	(5,373)	(33,341)
	14,300	83,925	12,545	77,832
	$1,366,964	**$8,022,478**	**$1,332,104**	**$8,265,161**

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.47% per annum based on market value (1998 - 5.44% per annum). The following term structure of these securities as at December 31, 1999 is based on par value:

	1999	1998
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	100

Schedule B
Schedule of Investments in Canadian Pooled Equities Fund (a)

December 31, 1999

($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,239	$ 5,550	$ 1,579	$ 7,321
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	47,798	214,030	13,834	64,115
Conglomerates	27,995	125,354	18,154	84,138
Consumer products	18,864	84,470	26,326	122,014
Financial services	78,146	349,923	88,303	409,265
Gold and precious minerals	20,043	89,748	17,433	80,800
Industrial products	180,118	806,528	69,550	322,345
Merchandising	9,817	43,958	8,456	39,192
Metals and minerals	22,601	101,204	15,348	71,135
Oil and gas	52,781	236,341	31,959	148,122
Paper and forest products	11,614	52,005	8,250	38,238
Pipelines	7,858	35,188	10,781	49,968
Real estate and construction	15,578	69,754	8,957	41,512
Transportation and environmental services	10,640	47,643	13,377	61,998
Utilities	80,588	360,855	44,755	207,427
Passive index	3,581	16,036	1,869	8,663
	588,022	2,633,037	377,352	1,748,932
Receivable from sale of investments and accrued investment income	2,030	9,090	5,186	24,034
Liabilities for investment purchases	(1,831)	(8,202)	(3,810)	(17,657)
	199	888	1,376	6,377
	$589,460	**$2,639,475**	**$380,307**	**$1,762,630**

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

Schedule of Investments in Domestic Passive Equity Pooled Fund (a)

December 31, 1999

($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 15,062	$ 57,310	$ 7,451	$ 34,407
Short-term Securities	2,355	8,960	2,799	12,924
Floating Rate Note Pool	218,096	829,873	126,230	582,896
	235,513	896,143	136,480	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	28,857	109,805	12,817	59,184
Conglomerates	11,746	44,694	8,438	38,966
Consumer products	19,825	75,435	17,166	79,267
Financial services	52,318	199,073	50,525	233,311
Gold and precious minerals	13,210	50,268	12,768	58,961
Industrial products	123,629	470,418	45,543	210,306
Merchandising	13,152	50,047	9,395	43,386
Metals and minerals	14,351	54,609	8,187	37,807
Oil and gas	35,593	135,433	21,927	101,252
Paper and forest products	12,602	47,950	6,320	29,186
Pipelines	5,483	20,865	7,337	33,881
Real estate and construction	8,304	31,596	5,471	25,262
Transportation and environmental services	5,987	22,781	5,787	26,723
Utilities	54,704	208,154	29,488	136,165
	399,761	1,521,128	241,169	1,113,657
Passive index Domestic Structured Equity Pooled Fund	1,106	4,210	-	-
	-	-	26,277	121,340
	400,867	1,525,338	267,446	1,234,997
United States Public Equities	-	-	549	2,535
Receivable from sale of investments and accrued investment income	28,310	107,720	7,911	36,530
Liabilities for investment purchases	-	-	(2,032)	(9,383)
	28,310	107,720	5,879	27,147
	$ 664,690	**$2,529,201**	**$ 410,354**	**$ 1,894,906**

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D
Schedule of Investments in External Managers Fund (a) (b)

December 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi-Region	$ 103,839	$ 919,706	$ 182,262	$ 1,069,544
Europe	143,204	1,018,169	134,925	835,531
Pacific Basin	124,455	882,206	75,327	457,418
Emerging markets	10,909	76,055	8,028	47,107
	382,407	2,896,136	400,542	2,409,600
United States	167,609	1,518,742	96,638	597,487
Canadian Public Equity Pools				
Large Cap	164,346	1,055,108	120,199	646,679
Small Cap	75,134	466,572	71,089	428,952
	239,480	1,521,680	191,288	1,075,631
	$789,496	**$5,936,558**	**$ 688,468**	**$4,082,718**

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 1999:

	1999	1998
	($ thousands)	
Cash and short-term securities	$ 97,347	$ 189,924
Receivables from sale of investments and accrued investment income	8,418	18,071
Investments		
Public equities	5,839,208	3,914,563
Convertible bonds	1,500	1,473
Liability for investment purchases	(9,915)	(41,313)
	$5,936,558	$4,082,718

Schedule C
Schedule of Investments in Domestic Passive Equity Pooled Fund (a)

December 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 15,062	$ 57,310	$ 7,451	$ 34,407
Short-term Securities	2,355	8,960	2,799	12,924
Floating Rate Note Pool	218,096	829,873	126,230	582,896
	235,513	896,143	136,480	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	28,857	109,805	12,817	59,184
Conglomerates	11,746	44,694	8,438	38,966
Consumer products	19,825	75,435	17,166	79,267
Financial services	52,318	199,073	50,525	233,311
Gold and precious minerals	13,210	50,268	12,768	58,961
Industrial products	123,629	470,418	45,543	210,306
Merchandising	13,152	50,047	9,395	43,386
Metals and minerals	14,351	54,609	8,187	37,807
Oil and gas	35,593	135,433	21,927	101,252
Paper and forest products	12,602	47,950	6,320	29,186
Pipelines	5,483	20,865	7,337	33,881
Real estate and construction	8,304	31,596	5,471	25,262
Transportation and environmental services	5,987	22,781	5,787	26,723
Utilities	54,704	208,154	29,488	136,165
	399,761	1,521,128	241,169	1,113,657
Passive index Domestic Structured Equity Pooled Fund	1,106	4,210	-	-
	-	-	26,277	121,340
	400,867	1,525,338	267,446	1,234,997
United States Public Equities	-	-	549	2,535
Receivable from sale of investments and accrued investment income	28,310	107,720	7,911	36,530
Liabilities for investment purchases	-	-	(2,032)	(9,383)
	28,310	107,720	5,879	27,147
	$ 664,690	$2,529,201	$ 410,354	$ 1,894,906

Schedule D
Schedule of Investments in External Managers Fund (a) (b)

December 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi-Region	$ 103,839	$ 919,706	$ 182,262	$ 1,069,544
Europe	143,204	1,018,169	134,925	835,531
Pacific Basin	124,455	882,206	75,327	457,418
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	382,407	2,896,136	400,542	2,409,600
United States	167,609	1,518,742	96,638	597,487
Canadian Public Equity Pools				
Large Cap	164,346	1,055,108	120,199	646,679
Small Cap	75,134	466,572	71,089	428,952
	239,480	1,521,680	191,288	1,075,631
	$789,496	**$5,936,558**	**$ 688,468**	**$4,082,718**

	1999	1998
	($thousands)	
Cash and short-term securities	$ 97,347	$ 189,924
Receivables from sale of investments and accrued investment income	8,418	18,071
Investments		
Public equities	5,839,208	3,914,560
Convertible bonds	1,500	1,173
Liability for investment purchases	(9,915)	(41,010)
	$5,936,558	$4,082,718

Glossary

Terms

Active member

A member who is making contributions or, if not making contributions, is on non-contributory leave for up to three years on approved disability leave, or at the point of maximum pensionable service (35 years).

Active management strategies

These strategies have two forms - security selection or market timing. Security selection is the buying and selling of securities to earn a return above a market index such as the TSE 300 Index for Canadian stocks. Market timing is based on shifting asset class weights to earn a return above that available from maintaining the asset class exposure of the policy asset mix.

Asset mix

The percentage of a pension plan's assets allocated to the major asset classes (for example, 45% fixed income and 55% equities).

Benchmark

A standard against which others are measured. For the purposes of this report, benchmarks are established income indices (listed in percentages) used to measure the health of the Fund's investment returns.

Bond

A promissory note issued by a company or government which bears a fixed maturity date and rate of return.

Deferred member

A member who is no longer employed by a Plan employer, has left contributions in the Plan and has yet to choose a pension option.

Emerging Market

An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece and Brazil.

Equity

Stocks; the ownership interest in a company.

External manager

A third-party firm contracted to provide investment management services.

Interest rate sensitive equity

Equity whose return is expected to react to changes in interest rates.

Large cap

Investment is larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

Manager structure

Manager structure refers to the number and mandates given to a plan's investment managers. Manager structures can be built around balanced fund mandates where the manager invests across multiple asset classes (Canadian stocks, Canadian bonds, US and International stocks) or specialty mandates where the manager invests in a single asset class. In the case of a specialty mandate the focus can be very specific such as investing in only Canadian small capitalized companies.

Passive equity

Equity bought as Toronto Index Participation Units (TIPS), allowing a fund to buy into the top 35 companies on the Toronto Stock Exchange.

Passive strategies

These strategies involve investing to replicate the performance of a given market index such as the TSE 300 Index for Canadian stocks, or managing asset class exposure to match the performance of an established policy asset mix such as 50% TSE 300 Index and 50% Scotia Capital Markets Bond Universe Index.

Pensioner

A member, surviving spouse, or beneficiary who is receiving a pension from the Plan.

Policy benchmark

A benchmark return for the Fund which is composed from the long-term asset mix policy and the benchmark indices for each major asset class.

Rate of return

The real rate of return is the return achieved by an asset after adjustments for inflation.

Real return bond

A fixed income investment product (a bond) whose return is linked to the real interest rate to generate a specified real rate of return.

Related Terms: The real interest rate is the nominal (set) interest rate minus inflation.

Statement of Investment Objectives and Policies

A policy document set by the Board to establish the asset mix of the Fund, the manner by which IMD may invest assets and the specific holding limits for each type of security.

Small cap

Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of less than 0.15% of the total Toronto Stock Exchange market capitalization.

Surplus

A surplus exists when the actuarial valuation determines the Fund's accrued benefit payments are less than the net assets available for the payment of those benefits.

Swap (structured investments)

A contract between two parties to pay the other party the return on an underlying investment.

T-Bill

Short-term government security.

Time-weighted return

A series of dollar weighted rates of return designed to reduce the impact of the cashflows on the funds performance. Since the fund manager usually has little control over the timing of the cashflows, the time-weighted return is used to measure the performance of the fund managers.

Total return

Interest income or loss plus price fluctuations.

Indices

Consumer Price Index (CPI)

Measures the relative prices at various times of a select group of goods and services, which typify those bought by urban families. In this report, it is used to reflect the rate of inflation.

Frank Russell Canadian Property Index

Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

Morgan Stanley World Index

Measures the total return attributable to the largest capitalized companies on the world's major stock exchanges. Maintained by Morgan Stanley, the index is compiled and reported monthly in local and common currencies.

Scotia Capital Markets Universe Bond Index

Measures the total return attributable to bonds and includes representative bond issues by issuer (Federal, Provincial, Municipal and Corporate), quality (AAA, AA, A, and BBB) and term (short-, mid-, and long-). Maintained by ScotiaMcLeod.

Scotia Capital Markets 91-Day T-Bill Index

Measures the total return attributable to 91-day T-Bills. Maintained by ScotiaMcLeod.

Standard & Poor's 500 Index

Measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

TSE 300 Index

Measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. Maintained by the Toronto Stock Exchange, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

Employer Listing

AADAC
Agriculture Financial Services Corporation
Alberta Cancer Board
Alberta Gaming and Liquor Commission
Alberta Mental Health Board - Edmonton*
Alberta Mental Health Board - Ponoka*
Alberta Opportunity Company
Alberta Pensions Administration Corporation
Alberta Petroleum Marketing Commission
Alberta Securities Commission
Alberta Special Waste Management Corporation
Alberta Treasury Branches
Bow Valley College - Calgary
NorQuest College - Edmonton
Portage College - Lac La Biche
Northern Lakes College - Slave Lake
Aspen Health Services*
Athabasca General & Auxiliary Hospital*
Athabasca University
Barrhead Health Care Centre*
Calgary Health Services*
Capital Care Group Inc.*
Capital Health Authority Community Care & Public Health*
Capital Health (Glenrose Rehabilitation Hospital Site)*
Capital Health (Royal Alexandra Hospital Site)*
Capital Health - Sturgeon Community Health & Health Care Centre*
Caritas Health Group*
Chinook Regional Health Centre*
Cold Lake Regional Hospital*
Crossroads Regional Health Authority*
David Thompson Health Region*
Drumheller District Health Services*
East Central Regional Health Authority*
Edmonton Public School Board
Foothills Health Unit*
Fort Saskatchewan Health Centre*
Fox Creek Hospital*
Government of Alberta
High Level – Fort Vermilion Health Unit*
Keeweetinok Lakes Regional Health Authority No. 15*
Lakeland College
Lakeland Regional Health Authority*
Lakeland Regional Health Authority - Public Health Area 1*
Lakeland Regional Health Authority - Public Health Area 2*
Lakeland Regional Health Authority - Public Health Area 3*
Leduc Hospital*
Legislative Assembly of Alberta
Mayerthorpe General & Auxiliary Hospital*
Mistahia Health Region*
Northern Lights Regional Health Authority*
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner
Palliser Health Authority
Peace River Health Unit - Peace Health Region*
Pembina Hills Regional Division No. 7
Public Health - Lac La Biche*
St. Therese Hospital*
Special Areas Board
The Alberta Energy and Utilities Board
The Alberta Union of Provincial Employees
The Banff Centre for Continuing Education
University of Calgary
The University of Lethbridge
University of Alberta
University of Alberta Hospitals - Capital Health Authority*
Vegreville Long Term Care Centre*
Westlock Healthcare Centre*
Westview Regional Health Authority*
Whitecourt Health Care Centre*
Workers' Compensation Board - Alberta

* As of January 1, 2000 this employer will move from the Public Service Pension Plan to the Local Authorities Pension Plan.

Our Appreciation

"The Board would once again like to thank Plan members and employers for their ongoing support during 1999."

Len Peterson
C.A.
Public Service Pension Board

Directory - 2000

Board Members–2000

Employee Nominees

Len Pederson, Vice-Chair
Tom Fuller
Ian Tarr

Employer Nominees

Jim Campbell
Tim Wiles, Chair
Vacant*

* Effective February 10, 2000 Virendra Gupta resigned from his position on the Board.

Contact Board Members at:

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T5K 2P7

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e-mail: pspp.bd@apa.gov.ab.ca
Web site: www.apaco.ab.ca

Board Secretary

Ken Patterson
Alberta Pensions Administration Corporation

Administrator

Alberta Pensions Administration Corporation

Fund Management

Investment Management Division
Alberta Treasury

Actuary

Buck Consultants Limited

Auditor

Auditor General of Alberta